

Message Text

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UNCLAS SECTION 1 OF 2 DAMASCUS 2342

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SUBJECT: INTERAGENCY TASK FORCE TO DEVELOP NATIONAL EXPORT POLICY;
SYRIA AND THE ARAB WORLD

REF: STATE 095673

1. IF YOU WANT TO SELL TO SYRIA (AND TO OTHER ARAB COUNTRIES)
YOU HAVE TO HUSTLE. WE DO NOT DO SO FOR A VARIETY OF
DOMESTIC POLITICAL AND ATTITUDINAL PROBLEMS. BASICALLY,
THE COMMERCE DEPARTMENT AND STATE SEE THEIR ROLE AS ONE
OF REPORTING TRADE OPPORTUNITIES AND PROCESSING PAPERWORK.
PROMOTION IS CONFINED TO RATHER CORRECT AND STAID EVENTS
LIKE TRADE MISSIONS AND FAIRS. TOO OFTEN WE FIND IT IM-
POSSIBLE TO INTERVENE ON BEHALF OF A SINGLE U.S. COMPANY
PURSUING A SINGLE CONTRACT BECAUSE ITS COMPETITION IS USUALLY
SEVERAL OTHER U.S. FIRMS IN ADDITION TO FOREIGN COMPANIES.
THE ONLY TIME WE REALLY GET OFF OUR DUFF AND HUSTLE IS FOR
THE MULTI-BILLION DOLLAR CONTRACT ALMOST INVARIABLY INVOLVING
A SINGLE U.S. SUPPLIER IN CIVIL AVIATION AND/OR MILITARY
PROCUREMENT.

2. MUCH OF THE ATTITUDINAL PROBLEM IS CAUSED BY
WASHINGTON DEMANDS FOR TONS OF PAPERWORK. TRADE
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OPPORTUNITY REPORTING IS JUST ANOTHER REPORT CRAMMED IN
WITH WTDR, CERP AND ECONOMIC TRENDS TO MENTION A FEW.
THE DEPARTMENTS OF COMMERCE AND STATE SHOULD FIND WAYS
OF MAKING IT CLEAR TO POSTS THAT REPORTING TRADE
OPPORTUNITIES, FOLLOWING UP FOR DETAILS AND THEN ACTIVELY
ASSISTING U.S. BUSINESS IN PURSUIT THEREOF TAKES
PRECEDENCE OVER OTHER ROUTINE REPORTING. INSTEAD, BULK

OF REQUESTS FROM USDOC AND STATE ARE FOLLOW-UP CABLES REQUESTING URGENT COMPLETION OF A WTDR -- ON OCCASION THREE MONTHS AFTER THE WTDR WAS COMPLETED.

3. USDOC'S ATTITUDE TOWARDS SALES PROMOTION MUST ALSO CHANGE. IN THE PAST USDOC HAS CONCENTRATED ITS TRADE PROMOTIONAL EFFORTS ON MARKETS WHERE U.S. EXPORTS HAVE DONE WELL, TO THE NEGLECT OF THOSE MARKETS WHERE THEY HAVE DONE LESS WELL. CONCERNING THE MIDDLE EAST, THIS POLICY HAS MEANT A HEAVY EMPHASIS ON THE LARGE MARKETS OF SAUDI ARABIA AND KUWAIT TO THE DETRIMENT OF SMALLER MARKETS SUCH AS SYRIA. WE ARE AWARE OF THE ARGUMENT THAT, GIVEN LIMITED RESOURCES FOR TRADE PROMOTIONAL ACTIVITIES (A SUBJECT WHICH ITSELF CERTAINLY MUST CALL FOR TASK FORCE SCRUTINY), USDOC MUST UTILIZE THOSE RESOURCES WHERE THERE WILL BE THE HIGHEST POSSIBILITY OF IMMEDIATE SALES, AND THUS WHERE THOSE RESOURCES WILL BE THE MOST "COST-EFFECTIVE". SUCH AN APPROACH, HOWEVER, IS SHORT-SIGHTED. AN INITIAL CONCENTRATION OF TRADE PROMOTION RESOURCES IN KUWAIT OR SAUDI ARABIA MAY HAVE BEEN USEFUL AT ONE TIME IN ASSISTING U.S. FIRMS TO ENTER THESE MARKETS. AT THE PRESENT TIME, HOWEVER, CONDITIONS THERE INVOLVING BOTH USG IN-COUNTRY RESOURCES AND SOPHISTICATION OF THE MARKET CONCERNING AMERICAN PRODUCTS ENSURE THAT INCREASING SALES WILL BE MADE REGARDLESS OF THE PRESENCE OR ABSENCE OF EXPENSIVE UNCLASSIFIED

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TRADE PROMOTION EVENTS SUCH AS TRADE MISSIONS, SHOWS, ETC. AT THE SAME TIME, LIMITED USG RESOURCES, LACK OF EXPERIENCE IN INTERNATIONAL TRADE IN GENERAL WITHIN THE LOCAL MARKET, AND LACK OF FAMILIARITY IN PARTICULAR WITH U.S. PRODUCTS, OPERATING PROCEDURES, ETC. IN OTHER COUNTRIES MAKE OPERATIONS OF U.S. FIRMS DIFFICULT. SUCH COMPANIES WOULD PRESUMABLY BENEFIT FROM USDOC PROMOTIONAL EVENTS IN THESE MARKETS, EVEN WHERE IMMEDIATE SALES AS A RESULT OF THE EVENT WERE NOT HIGH. WE THEREFORE PROPOSE MAJOR CHANGES IN THE WAY USDOC EVALUATES THE SUCCESS OF ITS TRADE PROMOTION EVENTS, BY SHIFTING THE FOCUS AWAY FROM "IMMEDIATE SALES RESULTING FROM THE EVENT", MANY OF WHICH IN THE GULF STATES WOULD HAVE BEEN MADE IN ANY CASE, AND TOWARDS MORE DIFFICULT MARKETS. SUCH A SHIFT IN FOCUS SHOULD CONSIDER HOW USDOC PROMOTIONAL EVENTS CAN BE DESIGNED TO OVERCOME THE DIFFICULTIES PRESENTED BY THESE MARKETS.

4. WHY CAN WE NOT HAVE A CHOSEN INSTRUMENT POLICY AS THE FRENCH, GERMANS AND ENGLISH? QUITE FREQUENTLY ONE FRENCH, ONE UK, ONE JAPANESE, AND FIVE U.S. FIRMS WILL BID FOR THE SAME PROJECT. ALL FIVE U.S. FIRMS

ARE BETTER QUALIFIED THAN ANY OF THE COMPETITION BUT THE FRENCH, BRITISH AND JAPANESE COMMERCIAL ATTACHES ARE IN THE CUSTOMERS' OFFICES POUNDING DESKS, BAD-MOUTHING U.S. FIRMS, AND TIEING IN PROCUREMENT WITH POLITICS. WE, PERFORCE, MUST STAND BACK BECAUSE TO BACK UP ONE FIRM WOULD BE TO DOUBLE-CROSS THE OTHER FOUR. AT BEST, WE MOUTH PLATITUDES ABOUT SUPERIOR U.S. TECHNOLOGY. THE ONUS OF SELECTING THE CHOSEN INSTRUMENT SHOULD NOT REST ON THE USG BUT ON U.S. PRIVATE ENTERPRISE. BUSINESS ORGANIZATIONS, CHAMBERS OF COMMERCE, ETC. SHOULD BE ENCOURAGED TO SET UP COMMITTEES TO DIVIDE FOREIGN TRADE OPPORTUNITIES OR ORGANIZE JOINT VENTURES. IF ANTITRUST LAWS FORBID SOME OF THESE ACTIVITIES, AN INTELLIGENT PROPOSAL

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SHOULD BE MADE TO CONGRESS TO CHANGE THESE LAWS, POINTING OUT THAT FOREIGN TRADE SHOULD BE TREATED DIFFERENTLY FROM DOMESTIC TRADE.

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5. UNDERDEVELOPED COUNTRIES SUFFER NOT ONLY FROM BEING BROKE BUT FROM NOT KNOWING WHAT IS AVAILABLE ON THE MARKET. CONCEPT SELLING IS FREQUENTLY THE MOST IMPORTANT ASPECT OF PROMOTING U.S. TECHNOLOGY. THE CUSTOMER MUST BE EDUCATED TO THE EXISTENCE OF A PRODUCT THAT CAN SOLVE A PROBLEM HE MAY HAVE BEEN ONLY VAGUELY

AWARE HE HAD. A SMALL CASE IN POINT: EVERYBODY IN DAMASCUS WANTS AIRCONDITIONING BECAUSE DAMASCUS IS VERY HOT AND VERY, VERY DRY IN SUMMER. ELECTRICITY IS RELATIVELY EXPENSIVE BUT WATER IS CHEAP AND PLENTIFUL. THE DRAFTING OFFICER HAS YET TO MEET A SINGLE BUSINESSMAN OR GOVERNMENT OFFICIAL IN DAMASCUS WHO KNOWS WHAT AN EVAPORATING AIR COOLER IS OR ITS ADVANTAGES UNDER THESE CONDITIONS. FOREIGN SERVICE POSTS LACK EXPERTISE BOTH TO IDENTIFY POTENTIAL MARKETS IN LDCS AS WELL AS TO DO CONCEPT SELLING. THERE SHOULD EXIST AN ORGANIZATION WITHIN THE U.S. GOVERNMENT THAT CAN CONDUCT A DIALOGUE WITH POSTS, KEEPING THE LATTER INFORMED OF LATEST DEVELOPMENTS IN TECHNOLOGY, HELPING THEM DO NECESSARY MARKET SURVEYS AND THEN HELPING PRIVATE BUSINESS ORGANIZE TRADE PROMOTION EFFORTS TO DO CONCEPT SELLING IN THE TARGET MARKET. AS AN EXAMPLE OF THE LATTER, THE FRENCH DID A GOOD STEEL STRUCTURE SYMPOSIUM IN DAMASCUS THAT CREATED CONSTERNATION AMONG UNCLASSIFIED

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SOVIET-TRAINED, REINFORCED-CONCRETE ORIENTED SYRIAN GOVERNMENT CONSTRUCTION AGENCIES.

6. WE ARE IN REAL TROUBLE IN EXPORT FINANCING. WE HAVE NOTHING COMPARABLE WITH EXPORT SUBSIDIES OF THE TYPE OFFERED BY FRENCH, UK, OR JAPANESE LENDING INSTITUTIONS. THE EXIM BANK CHARTER AND OPIC POLICY ARE VERY LIMITING AND THEY ARE NOT AS EFFECTIVE AS THE COMPETITION.

7. NEXT LET US LOOK CAREFULLY AT USAID PROGRAMS. WE SHOULD MAKE A SERIOUS EFFORT IN OUR PROGRAMS TO HELP CREATE THE TYPE OF INFRASTRUCTURE THAT (A) ORIENTS LDCS PROFITABLY INTO WORLD TRADE RATHER THAN IMPORT SUBSTITUTIONS, E.G., AWAY FROM IMPORT SUBSTITUTION TO EXPORT-ORIENTED AGRICULTURE AND INDUSTRY, I.E., COUNTRIES THAT EARN FOREIGN EXCHANGE CAN PAY FOR IMPORTS; AND (B) THAT SOLVES MANY U.S. EXPORT PROBLEMS SUCH AS HIGH FREIGHT COSTS. IN SYRIA, FOR EXAMPLE, INEFFICIENT PORT HANDLING FACILITIES MAKE SHIPPING COSTS FOR U.S. AGRICULTURAL COMMODITIES PROHIBITIVE. GOOD BULK HANDLING FACILITIES WOULD TURN AROUND THE RELATIVE ADVANTAGE EUROPEAN AND OTHER EXPORTERS HAVE IN RICE AND OTHER GRAINS. LET'S LEAD FROM OUR STRENGTHS.

8. INVESTMENT POLICY SHOULD COMPLEMENT EXPORT POLICY. IN MANY LDCS PROXIMITY OR COMPETING EXPORTERS HAS EFFECTIVELY BLOCKED U.S. EXPORTERS PERMANENTLY. WE CAN ONLY REGAIN A FOOTHOLD HERE THROUGH ESTABLISHING LOCAL OR REGIONAL LICENSING, ASSEMBLY OR MANUFACTURING.

WE WOULD REESTABLISH U.S. BRAND NAMES AND OPEN MARKETS
FOR COMPONENTS OR ANCILLARY GOODS.

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9. FINALLY, WHY NOT TWO-, THREE-, OR EVEN FOUR-WAY
BARTER AGREEMENTS WITH COUNTRIES LACKING FOREIGN EXCHANGE?
SO FAR, ALL OUR OFFSET AGREEMENTS (OR NORTHRUP'S DEAL
WITH SWITZERLAND) HAVE BEEN IN DEVELOPED COUNTRIES AND
FOR MILITARY GOODS EXCLUSIVELY. LDCS HAVE GOODS TO
EXPORT BUT NOT ENOUGH HARD CURRENCY TO PRIME THE PUMP
AND GET TRADE MOVING.
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